

Macroeconomics and Reality: Where Are We Now?

Economic Analysis Research Group, University of Reading,
and ESRC's *Rebuilding Macroeconomics* network

in support of the “Prosperity and Resilience” Research Theme
of the University of Reading

Tuesday, 24 November 2020 (via Zoom)

To register for this event, please contact Richard Arnold at r.arnold@niesr.ac.uk

Further information and materials will become available at the conference website:
<https://sites.google.com/view/macro-and-reality-earg-rm-conf/home>

Aim of the Conference

Macroeconomists are responding to extraordinary challenges. We are learning in real time; adapting and improving existing models, whilst expanding and incorporating new methods to understand better our complex and evolving reality. Forty years after the publication of Christopher Sims's seminal paper on *Macroeconomics and Reality*, we look to share, debate and evaluate some of the new models and methods in macroeconomics which address our biggest policy challenges – and perhaps hold the greatest promise for the future. The intended audience is colleagues and graduate students in economics, policymakers, governments, think-tanks, and research economists across the world.

Background

The world economy had a testing last decade and faces further challenges in the decade ahead. In the aftermath of the Global Financial Crisis we saw productivity growth evaporate, rising concerns about inequalities, and an erosion of public support for economic integration. The traditional policy answer of borrowing and spending has led to the highest world debt-to-GDP ratios in history; and interest rates, in advanced economies at least, that are at or close to their effective lower bound. Asset prices continue to rise, while major economies seem as close to deflation as inflation. Environmental degradation continues as we may be heading towards an ecological catastrophe. And now we start the new decade with the COVID-19 virus, a global health pandemic which also exacerbates many of these challenges.

Anyone looking from a distance might wonder whether the global economy is really approaching a steady state, under any reasonably realistic definition. And yet there are reasons for at least some professional optimism. The fiscal and monetary response to COVID-19 has been very different (and more successful) compared to the aftermath of the Global Financial Crisis. Computing power allows us vastly to expand our methods of analysis to include heterogeneity, direct interaction between agents, and handling Big Data. The pandemic has finally forced us to look beyond our discipline and consider how we might achieve a more integrated framework for our greatest real-world problems. This opens up the possibility of making real progress on tackling our greatest policy challenges.

Programme

Morning Sessions

09:00-09:10 Opening and welcome remarks – Robert Van de Noort (Vice-Chancellor, University of Reading)

09:10-09:15 Rules for the sessions, Angus Armstrong (Director, Rebuilding Macroeconomics)

Session 1: Climate Change and Pandemics

Chair: Uma Kambhampati (University of Reading)

09:15-10:00 “Climate Change and Macroeconomics”, Per Krusell (Stockholm University)

10:00-10:45 “Macroeconomics and Pandemics”, Mathias Trabandt (Free University Berlin)

10:45-11:00 *Coffee break*

Session 2: Beyond the Representative Firm and Consumer

Chair: James Reade (University of Reading)

11:00-11:45 “Firm Heterogeneity and Granular Business Cycles”, Isabelle Méjean (CREST - Ecole Polytechnique, Paris)

11:45-12:30 “Optimal Policy If Equality Also Matters”, Alexander Mihailov (University of Reading)

12:30-13:30 *Lunch break*

Afternoon Sessions

Session 3: Information and Big Data

Chair: Mark Guzman (University of Reading)

13:30-14:15 “Information, VARs and DSGE Models”, Paul Levine (University of Surrey)

14:15-15:00 “A Growth Model of the Data Economy”, Laura Veldkamp (Columbia Business School)

15:00-15:15 *Coffee break*

Session 4: Computational Advances

Chair: Carl Singleton (University of Reading)

15:15-16:00 “Solving Heterogeneous-Agent Models by Deep Learning”, Jesús Fernández-Villaverde (University of Pennsylvania)

16:00-16:45 “Macroeconomics as Locally Constructive Sequential Games”, Leigh Tesfatsion (Iowa State University)

16:45-17:00 *Coffee break*

Session 5: Politics and Society

Chair: Marina Della Giusta (University of Reading)

17:00-17:45 “Macroeconomic Origins and Consequences of Political Identity”, Steven Bosworth (University of Reading)

17:45-18:30 “Social Macroeconomics”, Angus Armstrong (Rebuilding Macroeconomics)

18:30-18:40 Closing remarks, Mark Casson (University of Reading)

18:40-18:45 Thank you to participants, Alexander Mihailov (University of Reading)